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Prime members bristle at Whole Foods' \$9.95 delivery surcharge: 'It's just rude'

 [washingtonpost.com/technology/2021/09/28/whole-foods-delivery-surcharge](https://www.washingtonpost.com/technology/2021/09/28/whole-foods-delivery-surcharge)

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Amazon-owned grocery chain plans to take new fee nationwide Oct. 25

By [Jay Greene](#)

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SEATTLE — Brandy O'Neill orders about \$100 worth of groceries weekly from Whole Foods Market — specialty items such as gourmet cheeses and hanger steaks — to be delivered to her home just outside Raleigh, N.C.

O'Neill, a food blogger who calls herself the Nutmeg Nanny online, signed up for Amazon Prime, which costs \$119 annually, this year largely for the perk of Whole Foods delivery being included. But Amazon on Friday sent her and other U.S. customers an email saying it was going to charge \$9.95 per delivery on top of the Prime subscription cost beginning Oct. 25.

"I felt they were taking away a service, and the fee is ridiculous," O'Neill said, adding that she will probably dump her Prime subscription when it expires. "It's just rude."

O'Neill is one of the many consumers who have relied more heavily on grocery and restaurant delivery during the coronavirus pandemic. Deliveries more than tripled for Whole Foods from 2019 to 2020, according to the supermarket.

But the services are becoming more expensive as the companies recalibrate to account for the demand and costs associated with it — and that's being passed along to consumers.

Former Amazon executives who spoke on the condition of anonymity to discuss private matters said the company probably bet grocery delivery would lead to higher sales overall — but instead caused it to lose money.

"Growth of delivery drives operating costs that we do not want to shift to product prices," Whole Foods spokeswoman Stephanie Ferragut wrote in an emailed statement.

(Amazon founder Jeff Bezos owns The Washington Post.)

Whole Foods started testing the surcharge in a handful of markets this summer, [Bloomberg reported](#) in August. The new fee will help cover the expense of running the service, while allowing it to maintain current pricing for in-store purchases, the company wrote in its letter

to customers.

Drivers will not receive any of the new fees, according to Amazon.

When Amazon bought Whole Foods for \$13.7 billion in 2017, it vowed to make the store — which sometimes gets dubbed “Whole Paycheck” because of its prices — less expensive. In a joint statement at the time, the companies promised to “pursue the vision of making Whole Foods Market’s high-quality, natural and organic food affordable for everyone.”

But the tight labor market, plus limited capacity because of pandemic-fueled online shopping, have led to an astronomical rise in shipping rates for logistics firms, said John Haber, president of parcel at the third-party logistics firm Transportation Insight.

“They are being faced with significant cost acceleration,” Haber said.

Amazon has historically been willing to absorb losses in one business if it thought those customers could be lured into using another one of its higher-margin offerings. But soaring transportation costs probably led Amazon to reconsider that model in the grocery business, even if it meant adding a delivery surcharge that puts Whole Foods further out of reach for some shoppers.

“It’s a big shift in the way they do things,” Haber said.

What’s more, home delivery is a particularly tough business for groceries, which generally sell goods on the slimmest of margins. And shipping items point to point — that is, from a grocery store rather than a massive warehouse or distribution center to a customer’s home — is the least economic way to deliver goods.

Whole Foods deliveries typically entail workers gathering orders in store and handing them off to contract drivers. And those drivers often use their own vehicles and make only a handful of deliveries at a time to protect perishable items.

When Amazon bought Whole Foods and added free delivery for Prime members, the company had hoped to get shoppers to tack on higher-margin items that it also sells in its marketplace, such as consumer electronics, according to one of the former Amazon executives.

“That experiment failed for Whole Foods,” the executive said.

Amazon has tinkered for years with grocery delivery, launching its Amazon Fresh service more than a decade ago. At various points, it has charged a \$299 annual fee for that service, as well as used the U.S. Postal Service to make some of its grocery deliveries. The company has scrapped those tactics over the years and currently offers Fresh delivery in several U.S. cities included with Prime.

Amazon declined to say whether Fresh is considering a surcharge for its deliveries. Grocery pickup is free at both Whole Foods and Amazon Fresh for Prime members who spend more than \$35.

“Delivery from grocery stores is not a good business,” the former Amazon executive said.

Ferragut noted that Whole Foodscustomers are beginning to return to in-store shopping.

Getting customers back to in-person shopping has another benefit: There is a greater opportunity for them to make impulse purchases, according to a former Amazon logistics executive, who also spoke on the condition of anonymity to comment candidly.

“I am sure they have data that is reinforcing” the economics, the executive said.

O’Neill, though, doesn’t plan to shop at Whole Foods in person anytime soon. She finds the parking lot at her local store too busy. And she remains concerned about walking the aisles during the pandemic. Whole Foods will probably lose her as a customer.

“It just doesn’t even make sense at this point,” O’Neill said.